

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, FEBRUARY 21, 2024**

The Glastonbury Board of Finance, along with Finance Director, Keri Rowley, and Town Manager, Jonathan Luiz, held a regular meeting at 4:00 p.m. in the Council Chambers of Town Hall at 2155 Main Street with an option for Zoom video conferencing. The video was broadcast in real time and via a live video stream.

Also in attendance was Christopher Liebel, Controller.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Mr. Jared Soper, Vice Chairman
Mr. James Zeller
Mr. Robert Lynn
Ms. Susan Karp
Mr. Kevin Graff

1. Public Comment Session: Comments pertaining to the call

Rosemary Coggeshall of 29 Coop Road, is a member of the Welles Turner Library. She stated that citizens expect the new Maker Space to be utilized, which requires additional staff. She asked to support funding to hire additional library staff.

2. Communication:

- a. Minutes of January 18, 2024 – BOF Regular Meeting

Minutes accepted as presented

- b. Minutes of February 6, 2024 – BOF Town Operating Budget Special Meeting & Public Hearing

Minutes accepted as presented

- c. Minutes of February 7, 2024 – BOF Board of Education Budget Special Meeting

Minutes accepted as presented

3. Communication: Pension Report (December 2023) and Flash Report (January 2024)

Ms. Rowley reviewed the reports, explaining that Mr. Kachmar will attend the Board’s March meeting to discuss in more depth.

4. Communication: Month End Investments – December 2023

Mr. Liebel reviewed the report dated February 21, 2024. As of December 2023, the General Fund realized investment earnings are at over \$1.43 million, which will exceed the \$1.5 million

that was budgeted for the year. Mr. Lynn asked if that amount will double before the end of the year. Mr. Liebel stated, probably yes. Ms. Karp asked if exceeding the budgeted amount would require the Board to make other changes, such as forgoing the \$750,000 transfer in again. Mr. Luiz stated that they would have to consider everything else going on, but if all else is perfect and investment earnings surge, then it would go towards the General Fund-Unassigned Fund Balance.

Mr. Soper asked if the long-term investment of self-insurance funds was a discussion between the Controller and the Finance Director. Mr. Liebel explained that the self-insurance fund balance was very high pre-Covid and is just starting to come down, so they want to be comfortable before extending any maturities in the fund. He noted that this is an update to the discussion that was held at the last BOF meeting. Mr. Soper thinks that this was an excellent addition to the report.

5. Communication: Financial Summary (Expenditures) for 7 months – January 2024

Ms. Rowley reviewed the report dated February 15, 2024.

6. Communication: Capital Projects – January 2024

Ms. Rowley reviewed the report dated February 15, 2024. Mr. Soper asked if the ARPA projects have to be dedicated by the end of this year. Ms. Rowley explained that a contract must be signed for a purchase order by December 31, 2024, and projects have to be completed by December 31, 2026.

7. Communication: Self Insurance Reserve Fund – January 2024

Ms. Rowley reviewed the report dated February 14, 2024. There have been 15 large loss claims: nine for the Town and six for the BOE; of which, three from each have reached the stop loss limit.

8. Board of Finance Committee Reports, comments and remarks (no action to be taken)

Mr. Constantine stated that PBC has not yet met.

The balance of the meeting will include Budgetary Topics:

9. Discussion and Possible Action:

Motion by: Ms. Karp

Seconded by: Mr. Zeller

The Board of Finance moves to change the Amortization Growth Rate for the Pension Plan from 0.00% that was originally presented and accepted within the changes from the Milliman Experience Study to 1.5% with all other changes from the Milliman Experience Study withstanding.

Disc: Mr. Zeller asked what number the actuaries had given to the BOE. Ms. Rowley stated that Milliman had estimated it to be \$2.9 million. Ms. Karp asked if neither the Town's nor the BOE's budget number would change. Ms. Rowley stated that is correct.

Result: Motion passed unanimously {6-0-0}.

10. Possible Action: The Board of Finance pursuant to Section 605 of the Town Charter submits to the Glastonbury Town Council the following proposals:

Ms. Karp thanked everybody involved in this process and reiterated that the Council will have final authority over the budget. She noted that this is a tough budget year because it predominantly deals with people and their benefits, as well as inflation and consideration of priorities. She noted that Mr. Luiz has made changes in recognition of the challenges that the Town will face in their capital program. However, she recommends reducing the capital transfer by \$1 million and doing incremental changes in future years.

Mr. Zeller explained that his approach is similar, but his thinking begins with the hardline desire that taxes cannot go beyond a 3% increase. He took \$1.07 million out of CIP, and figured out the percentage that the BOE gets (71.3%) and the percentage that the Town gets (28.7%) to the budget, which would equate to a \$663,090 cut and a \$266,910 cut respectively. Mr. Lynn would like to see the tax increase at slightly less than 3%. He stressed that, in the near future, they will have to bond. He is also concerned about grand list growth and no real revenue coming in.

Mr. Zeller believes that this is what happens when they get hooked on state money, with intergovernmental transfers, and the rug gets pulled from under them. Mr. Graff agrees that even if they throw significant money into the Capital Reserve fund, they still do not get there, so overfunding the Capital Reserve sends the wrong message to the Council. He clarified that they are not cutting, but rather, reducing the rate of the increase.

Mr. Soper finds this difficult. For this budget, he agrees to reduce the money to the Capital Reserve Fund. However, they have been underfunding the Capital Reserve Fund for the past 8 or 9 years. While he used to not be a fan of bonding, he thinks that it is needed now. He appreciates Mr. Luiz's request to push this off, but he thinks that they have to look at it now, especially if the GHS roofs project will be pursued in the next couple years. Mr. Zeller asked, if the Council agrees to bond, could they get it done in time for the November election. Ms. Rowley stated yes.

Ms. Karp is not averse to bonding. However, she cautioned not continuing to underfund the Capital Reserve. It is important to look at both hand in hand. Mr. Soper agreed, adding that the CIP budget does need to continue to increase. Ms. Karp asked, if the Town's mill rate were to return to a certain level, would they be eligible for the motor vehicle grant next year. Mr. Luiz explained that mill rate qualification by the state has changed in the past, so it is a moving target. Mr. Constantine asked if 32.46 is the target mill rate to qualify for that grant. Ms. Rowley stated yes, but it is one year behind, so once the Town's mill rate reaches 32.46, they would receive the reimbursement monies the following year.

Ms. Karp's concerns are looking at the Town's and BOE's operating budgets, which are very much linked to people and benefits. On the town side, a strong argument has been made for increasing library staffing. She would like some flexibility for that to happen. On the BOE side, she continues to be concerned about the unknowns for special education. She was looking at a reduction of \$1.5 million, which is smaller than the one proposed by Mr. Zeller. This would be a one mill increase to what they currently have.

Mr. Lynn would like to curb the operational side, especially in light of the additional investment income coming in than what was projected. Mr. Soper asked what the increase would be if the collection rate assumption changed from 99.15% to 99.2%. Ms. Rowley stated about \$80,000 to \$90,000. Mr. Soper asked what rate of return they are assuming. Ms. Rowley stated that they increased it to 4%.

Mr. Graff supports the idea of limiting the tax increase to 3% in theory, but he agrees with Ms. Karp that the ability to get there on the operating side is concerning. If the projections hold up on the BOE side, they will need ten new teachers to keep up with enrollment. That will only spike the increase request when it comes. On the town side, he thinks that the library has made a compelling case for additional funding. Instead, he would return to the issue of capital. There is no magic in the \$1.07 million number, so that could increase.

Mr. Zeller stated that, over 16 years, taxpayers saved \$64 million by the Council's reductions and the budget is \$8 million less a year because of that. If they use the BOE's four-year comparison, the budget is \$1.9 million less than if the BOE were given anything they wanted. He appreciates what the BOE did with their budget, but they did not really cut the Superintendent's budget. They took the risk that they are not going to fund the structural deficit which the consultants pointed out, so the Town will be on the hook for that, if it does not work.

While the BOE says that there are no new initiatives, Mr. Zeller countered that \$250,000 is proposed for new maintenance personnel. He is concerned that this budget keeps getting bigger as Glastonbury Public Schools spend substantially more per pupil than Farmington, Avon, or Simsbury. The BOE runs a substantial increase every year, so he does not think a \$600,000 cut is a big deal. The Town side bothers him more than the BOE side. If they are going to keep taking more money out of CIP, then he proposes going for a 2.75% tax increase, instead of 3%. Mr. Luiz explained that, on January 2, FIA agreed with the 4% projected interest rate increase. Upping it to 4.25% is an additional \$60,000.

Mr. Soper does not think that they can afford this budget. He is troubled that they are pulling money out of CIP to support operations, and believes that what they should be doing instead is holding down the operating budget and increasing the CIP budget. He could support a lesser increase in the CIP, but only if they recommend a certain dollar amount for bonding. He is also uncomfortable increasing the projected interest rate to 4.25%, but could add \$50,000 to the interest income and move to a collection rate of 99.2%, which would add a total of \$130,000 to help offset the reduction. Mr. Lynn stated that they will receive about \$3 million in investment income this year at a 5% rate of return, so the average balance of \$35 million this year seems skewed low. Ms. Rowley can look into the average cash balance.

Mr. Zeller believes that they have a spending problem not a revenue problem. When the BOE money is leftover, nothing comes back to the town, which is the problem with the BOE's budget. If the Town has extra money, it goes back into the Unassigned Fund Balance. The BOE's surplus goes into the 1% fund and gets spent however the BOE wants. Ms. Karp clarified that the 1% fund was recommended by the state, and established and adopted by both the BOE and the Council, so to criticize the BOE for using the money that way is unfair. When school starts in

September, sometimes, what was budgeted in January is wrong, which is what October revisions are for.

Ms. Karp proposed a recess to return with their compromised numbers.

Motion by: Ms. Karp

Seconded by: Mr. Lynn

Result: Motion to recess passed unanimously {6-0-0}.

The Board reconvened discussion at 5:26 p.m.

Mr. Lynn reiterated his desire for a tax increase under 3%. Ms. Karp did the following calculations: \$88,000 from increasing the collection rate plus an extra \$55,000 from investment income would total \$143,000. Then, \$1.2 million from the Capital Reserve transfer will get to \$1.343 million. She then proposed a \$400,000 reduction to the BOE and a \$157,000 reduction to the Town budget, which would arrive at a total reduction of \$1.9 million; this is very close to Mr. Zeller's \$2 million start. She believes that this is a fair compromise and a balanced approach, which will give the Council something to work with as they make the final decision.

Mr. Soper pointed out that they had come down from \$930,000 to \$800,000 on the operating side, so this is \$243,000 apart. Mr. Graff asked if the goal is to limit the tax increase or to whack the operating budget. Mr. Soper stated that the primary goal is to limit the tax increase, but also, over time, they need to bend the curve on the operating side. Mr. Zeller explained that, every year, they have cut \$300,000. Over four years, taxpayers have saved \$1.2 million and the budget is less all the way through. He believes that they need to bend the curve. Mr. Lynn finds the operational expense to be the most critical. If they could find another \$150,000, he would vote for it.

Mr. Zeller proposed making the BOE cut \$500,000, which would arrive at the \$2 million reduction. Mr. Soper supports that. Mr. Constantine suggested \$450,000 instead. Mr. Graff supported that. Mr. Zeller noted that he had started at a \$663,000 reduction to the BOE budget, so he has come down \$163,000. While he is willing to go up a little on the CIP, the problem is with the operating budgets. Ms. Karp would like to ask the Council to consider a referendum for bonding. Mr. Soper agreed, and would also like to also discuss which projects that the BOF feels would be candidates for the referendum.

Ms. Karp worries that Mr. Zeller's proposed \$500,000 cut will leave almost no discretion in the BOE budget, after accounting for salaries and benefits and the anticipated magnet school tuition cut. Hence, the absolute highest she will go is \$450,000. Mr. Zeller pointed out that several BOE members recommended \$184,000 in cuts which were rejected, so there is room in their budget for further reductions. There is also an assumption that all of their proposed personnel have to be hired, which they do not. He stated that the Council will do what they want, but this recommendation will send a message to be fiscally responsible. Mr. Soper believes that the \$500,000 reduction is a responsible recommendation to keep the tax increase at 3%. Ms. Rowley explained that a \$450,000 reduction to the BOE would yield a tax increase of 3.03% versus a 3% tax increase for a \$500,000 reduction.

Ms. Karp proposed another ten-minute recess.

Motion by: Ms. Karp

Seconded by: Mr. Lynn

Result: Motion to recess passed unanimously {6-0-0}.

The Board returned at 6:01 p.m. and agreed to reconvene on a later date.

A motion was proposed to schedule a new meeting for Friday, February 23, 2024 at 9:00 a.m. in Council Chambers to discuss Item 10.

Motion by: Ms. Karp

Seconded by: Mr. Zeller

Result: Motion passed unanimously {6-0-0}.

- a. Action: Propose to Town Council FY23/24 Town Operating Budget
- b. Action: Propose to Town Council FY23/24 Education Budget
- c. Action: Propose to Town Council FY23/24 Debt & Transfers Budget
- d. Action: Propose to Town Council FY23/24 General Fund Revenues & Transfers Budget
- e. Action: Propose to Town Council FY23/24 Capital Improvement Program Budget, including Capital Reserve Fund and Town Aid Road
- f. Action: Propose to Town Council FY23/24 Sewer Operating Fund Budget (Special Revenue Fund)

11. Adjournment

Motion by: Ms. Karp

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of February 21, 2024, at 6:11 p.m.

Result: Motion passed unanimously {6-0-0}.

Respectfully submitted,

Lilly Torosyan

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Recording Clerk

For anyone seeking more information about this meeting, a video on demand is available at www.glastonbury-ct.gov/video. Click link to access the 'Town's Video OnDemand platform.'